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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY Austria (Russian Zone)

SUBJECT

USIVA Transactions

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ORIGIN

Document No.

NO CHANGE in Class. IN

DECLASSIFIED

Class. CHANGED BY TS

DDA Memo. 4 Apr 77

Auth: DDA REG. 77-1763

Date: 24 APR 1978 By: 04

DATE:

INFO. Prior to 23 October 1947

DIST. 28 October 1947

PAGES 3
SUPPLEMENT

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1. The Iron and Steel Section of USIVA currently has one million metric tons of scrap to be used for export against Swiss francs and dollars. Source says that the figure would be considerably higher if USIVA stocks of old armaments were also included. USIVA not only has collected all available scrap in its zone of Austria, but receives and markets scrap collected in the Balkans. On 1 October 1947, ten train loads, with about 12,000 metric tons of scrap, were to arrive from Hungary for export to Switzerland. Austrian factories are being used to process scrap from the Balkans.
2. The Swiss firm Frigalimont of St. Margrethen is at present awaiting delivery of 60,000 metric tons of scrap. Following completion of this transaction, Frigalimont will be interested in obtaining 10,000 metric tons of iron bars classed as scrap, plus an additional 5,000 metric tons of assorted scrap, and 5,000 metric tons of shell casings. The Obecker Company in Zurich, headed by Hein , is also negotiating for USIVA scrap iron in quantities amounting to 7,000 metric tons.
3. USIVA is reported by source to have made additional offers of scrap sales to the following Swiss firms: Firma Solca, Baden, 50,000 metric tons general scrap; Privat Kommerzbank, A.G., Zurich, 500,000 metric tons general scrap; Schweizer Bankgesellschaft, 100,000 metric tons steel scrap.
4. In June 1947, USIVA arranged to sell 50,000 metric tons of scrap to the Belgian Steel Association, Brussels; shipment was arranged through Yuzhtrans via the American Zone in Austria and Germany by rail. 18,000 tons have been delivered to date. Belgium will pay \$1,000,000, or \$20.00 per metric ton, to USIVA's account in Zurich.
5. The Linz firm, Mitterbacher und Wagner, on behalf of USIVA, plans to sell the Alfa Romeo Factory in Milan 50,000 metric tons of light scrap metal. Martin Mitterbacher is going to Milan to close the deal after completing an inspection of the USIVA scrap pile in Hungary this month.
6. On 1 August 1947, USIVA placed an embargo on all shipments of scrap iron from the Russian Zone to other zones of Austria. The specific purpose was to increase pressure on Alpine Montan in the British Zone, which up until then had refused to supply finished metal products to USIVA. During the period of 6 to

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12 October 1947, USIVA is reported to have searched all metalworking industries in the Soviet Zone and confiscated all scrap metal of a military nature. Mitterbacher und Wagner are to load and remove the scrap so collected. The policy of gearing Alpine Montan into the USIVA structure by a hold-out on scrap is apparently beginning to pay off, as may be seen in the examples cited below.

7. On 2 October 1947, USIVA was to show a contract to deliver 15,000 metric tons of scrap to the Alpine Montan Gesellschaft, which would deliver 4,500 metric tons of finished steel products in return. The products were to be delivered by Alpine Montan at a rate of 1,500 metric tons a month beginning in October 1947. Source understands that Dykhomirov signed for USIVA, and general directors Fleischmann and Oberegger for Alpine Montan. The Alpine Montan stockpile of scrap is exhausted, and Alpine must deal with USIVA to keep running. Source states that, in August and September 1947, USIVA received 4,000 metric tons of high quality steel from Alpine, principally girders and steel plate. These products were distributed to the USIVA firms, Wiener Brueckenbau, Wagner-Biro, and Floridsdorfer Locomotiv-Fabrik. Informant opines that about 80% of Austrian heavy industry is thus in the possession of or controlled by USIVA, which gives the latter almost monopolistic powers. *Comment:* This figure is considerably exaggerated. The latest survey here shows the capital equipment capacity is about equal in the Soviet and western zones.) 25X1X
8. The following USIVA-held factories are scheduled for demolition when all scrap and other desired material is removed: Nibelungen-Werke at St. Valentin, Wiener Neudorf airplane factory (sic), Enzersfeld Granaten Dreherei (sic), Olim (sic) chemical industry at Tulln, and buildings at the Wiener-Neustadt airfield. *probably wrong - see correction* that the Nibelungen-Werke are operating for USIVA at a loss of 10,000 schillings per day.
9. The Russian Military Bank provides the payroll for USIVA's 250,000 employees, but its actual capital is believed to be between 30 and 50 million schillings. All of USIVA's foreign business is transacted in Swiss francs or dollars. Pounds are unacceptable. Since June 1947, all USIVA's international hard currency transactions have been handled through Schweizer Bankverein, Zurich, said to be only Swiss bank which may deal in free Swiss francs. Source knows personally of USIVA transactions which have paid 5,000,000 Swiss francs and \$4,000,000 into this account and claims that the above figures represent only a small part of the total USIVA hard currency balance in this bank. All USIVA's buying and selling in Switzerland is handled through the Frigalment firm of St. Margrethen.
10. In late September 1947, Mitterbacher und Wagner, which handles most of USIVA's scrap iron sales to Switzerland, laid the ground work with Frigalment for Swiss export to USIVA of sulphuric acid to the value of 220,000 Swiss francs. As compensation, USIVA will send Switzerland 16,303 kilograms tireply fabric from the Semperit-Werke in Lower Austria. *(Field Comment:* Although USIVA has a monopoly on present sulphuric acid production in Austria, the supply is inadequate for Russian-controlled factories.)
11. Source states that Frigalment has on order from the U.S., 300,000 Swiss francs worth of weaving and spinning machinery for USIVA. Frigalment purchases this machinery with funds from the USIVA account in Zurich. The machinery will be used to renovate Soviet-controlled textile mills in Lower Austria.

12.

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13. The following miscellaneous transactions are reported;

- a. On approximately 1 August 1947, USIVA received 90 metric tons of lead from Yugoslavia.

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- b. USIVA requires 200 tons of carbide monthly. Ninety tons are received from the Tyrol by allotment from the Austrian authorities. The remainder is imported from Hungary.
- c. USIVA controls the entire sugar industry in Lower Austria, consisting of refineries at Bruck, Melk, and Tulln. However, USIVA has also negotiated with Ireland regarding the purchase of sugar. USIVA is in no particular need of sugar, but believes that Ireland has sugar to export and desires to trade lumber for the Irish export item.
- d. In order to maintain the daily food rations established for USIVA workers, USIVA regularly imports sugar from Czechoslovakia and other foodstuffs from Hungary and Yugoslavia.

14. Source reports that, early in October 1947, the name USIVA was officially changed to USIA or "Administration of Soviet Properties in Austria" instead of "in Eastern Austria." General Borisov is returning to his former post as professor in the Soviet Academy for World Commerce in Moscow. His replacement is reported to be a high-ranking civil servant from the Soviet Planning Ministry. (Field Comment: Source was informed recently that Malkevin, former chief of the special Moscow commission examining the USIVA structure, had been introduced to a representative of Firma Valerian, Miener-Neustadt as the new chief of USIVA, replacing Major General Borisov.) [REDACTED] Comment: The above-mentioned Soviet official has been previously reported as Malavin;

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15. Source believes that USIVA will remain in Austria at least 5 more years to handle the sale, disposal, or liquidation of German assets. He sees only the following two possibilities for an earlier close-out:
- a. Opportunity to convert all its property holdings and assets, probably including Balkan as well as Austrian, into hard currencies.
 - b. Signing of peace treaty, withdrawal of troops, and conversion of USIVA's present structure to an Austro-Soviet stock company with the Russians retaining over 51% of the stock. This would offer the usual advantage of being able to reduce personnel and expenses while controlling operations and profits.
16. The current civilianization of USIVA and the changes in personnel are designed to reinforce discipline by not exposing Soviet citizens too long to western opulence and to prepare for the forthcoming Austrian treaty negotiations. Informant believes that the Soviets will claim that USIVA has been stripped of military personnel and consists only of a handful of technicians. This would comply with the formality of withdrawing troops from Austria. The present overall plans of USIVA are to civilianize USIVA as mentioned above and to work for the stabilization of Austrian currency, which would be of considerable value to USIVA in future operations.

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